

Service Date: April 19, 2001

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER OF FIVE VALLEYS	)	
GAS COMPANY, Application of	)	UTILITY DIVISION
Increased Rates for Propane Service in its	)	DOCKET NO. D2000.12.205
Seeley Lake, Montana Service Area and	)	ORDER NO. 6315b
Approval of a Propane Cost Tracking	)	
Procedure.	)	

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DEFAULT ORDER

FINDINGS OF FACT

1. On December 4, 2000, Five Valleys Gas Company (Five Valleys) filed an application with the Montana Public Service Commission (PSC) for approval of increased rates for propane service to consumers in its Seeley Lake, Montana, service area. Five Valleys is a Minnesota corporation providing regulated propane service in Seeley Lake, Montana. The total requested rate increase is \$26,209, even though applicant states it has proven an increase of \$64,253. In its application Five Valleys is also requesting a monthly Propane Cost Tracking Procedure. The procedure would allow monthly adjustments (increase or decrease if costs change three cents or more per gallon) to rates based on changes in propane costs, accrual of costs that are not reflected in rates, and an annual true-up.

2. On December 14, 2000, the PSC issued a Notice of Application and Intervention Deadline, with statements and written comments due by January 18, 2001. Montana Consumer Counsel (MCC) requested intervention. On March 26, 2001, MCC filed a written letter withdrawing its request for a hearing. No other requests for a hearing were received by the Commission.

3. Five Valleys requests that metered Residential/Small Commercial revenues be increased by 26.84%. A customer using the annual customer class average of 4,153 cubic feet would see an increase in monthly rates from \$91.18 to \$115.65. The metered school proposed

increase is 27.01%. A school using the annual customer class average of 32,538 cubic feet would see an increase in monthly rates from \$612.98 to \$778.60. These increases are for an average monthly bill and are not identical as those shown in the revenue requirements as demonstrated in the cost of service study. Five Valleys is also proposing an increase in its customer charge from \$5.50 per month to \$6.80 per month.

4. The estimated number of customers whose cost of service will be affected and the annual amount of the increases in cost of service is as follows:

<u>Customer</u>	<u>No. of Customers</u>	<u>Annual Increase in Cost</u>	<u>Annual Incr. Per Customer</u>
Residential	84	\$24,229	\$288.44
<u>School</u>	<u>1</u>	<u>\$1,980</u>	\$1,980.00
Total	85	\$26,209	

5. Five Valleys' requested revenue requirement for the test period is reportedly \$124,990, compared with revenues at present rates of \$98,781 or an increase of \$26,209. Five Valleys is not requesting the proposed full amount of revenue it suggests it can prove (\$64,253) because it feels such a dramatic increase would cost it business due to competition. Five Valleys argues that in order to remain competitive its customer charge should equal, or not greatly exceed, the tank rental charge of its competitors and, its product price must not exceed that of its competitors.

6. On November 30, 2000, Five Valleys Gas issued bill inserts to all customers notifying them of its proposed increase before the Commission.

7. The Commission issued an Interim Order on January 17, 2001, granting the \$26,209 increase.

8. Upon review and consideration the Commission accepts the proposed increase of \$26,209 on a final basis, and finds the increase in the customer monthly charge from \$5.50 to \$6.80 to be just and reasonable. The Commission also approves the Five Valleys Gas request for a monthly propane gas tracker as outlined above.

CONCLUSION OF LAW

1. The Montana Public Service Commission is responsible for the supervision, regulation, and control of public utilities pursuant to the provisions of Title 69. Section 69-3-102, MCA.
2. Five Valleys Gas Company is a public utility subject to the Commission's jurisdiction. Section 69-3-101, MCA.
3. The propane service offered to the town of Seeley Lake is subject to the regulatory authority of the Commission.
4. The rates approved herein are a reasonable means of providing relief to Five Valleys Gas Company's customers.

ORDER

1. Five Valleys Gas Company is hereby authorized to increase rates on a final basis for propane service in the amount of \$26,209; it is allowed to increase the monthly customer charge from \$5.50 to 6.80 and to implement a monthly propane gas tracker.
  2. Five Valleys Gas Company must file tariffs in compliance with the Findings of Fact in the Final Order.
  3. Rates which implement the increases approved in this Final Order will become effective for services rendered on and after April 17th, 2001.
- DONE AND DATED at Helena, Montana, this 17<sup>th</sup> day of April, 2001, by a vote of 5 to 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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GARY FELAND, Chairman

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JAY STOVALL, Vice Chairman

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BOB ANDERSON, Commissioner

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MATT BRAINARD, Commissioner

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BOB ROWE, Commissioner

ATTEST:

Rhonda J. Simmons  
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.